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IMPERFECT PROPERTY: DEFECTIVE PROTECTION FOR BONA FIDE PURCHASERS OF COPYRIGHTS

BRENDA J. SAUNDERS*

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I. INTRODUCTION

Intellectual property, including copyright, is similar to other types of property in the sense that it exists only insofar as the law recognizes it and provides mechanisms for its protection. Copyright protection law differs from other property regimes in a number of respects. One attribute of this difference that has received insufficient attention is the problem of providing protection for bona fide purchasers of copyrighted material.

In real property law, the earliest decisions employed a simplistic principle: "first in time is first in right." The first purchaser of a property interest prevailed against any subsequent purchaser.¹ In many instances, this rule provided the most appropriate resolution of a conflict between two innocent purchasers² who have been victimized by one unscrupulous seller. In such a situation, one pur-

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1. The recording acts aside, priority between deeds, mortgages, judgments, and other liens or titles is determined by the order in point of time in which they become effective. 2 W. WALSH, COMMENTARIES ON THE LAW OF REAL PROPERTY 487, 488 (1947); 6A R. POWELL, POWELL ON REAL PROPERTY 269 (1987).

2. This common law, non-statutory rule of priorities has been criticized.

There is logic in the "first in time, first in right" scheme of priority, but it is logic of theory, not of practice. In this complex society, purchasers have no way of checking on the status of the title unless they can rely on some official record which shows all of the transactions in regard to the [property] in question.

J. CRIBBET, PRINCIPLES OF THE LAW OF PROPERTY 279 (1979).

chaser takes the property, and the others are relegated to bringing suit for damages or restitution.³

In other situations, the "first in time" principle is unsatisfactory because it fails to recognize that the conduct of either the original purchaser or the true owner may contribute to the fraud upon the subsequent buyer.⁴ For example, a subsequent purchaser may buy property in good faith from the "true" owner without any knowledge of the prior sale, with the first purchaser facilitating the second sale in some manner, perhaps by failing to take open possession of the property.⁵

The solution to most problems involving real estate lies in the state's recording system. While such systems vary considerably in some respects, a characteristic common to each is the protection of persons who purchase real property from the owner "of record." If a person appears to be the owner of the real property in question based upon an examination of the documents filed in the recording office, a buyer from this "record owner" will take good title to that property.⁶ That the "record owner" may not be the same as the "true owner" is irrelevant.⁷ The true owner may have various causes of action for damages against the record owner,⁸ but the subsequent purchaser's rights to the specific property are superior

3. *Patterson v. Bryant*, 216 N.C. 550, 5 S.E.2d 849 (1939). This statement is qualified by the recognition of factual circumstances which dictate that the loser in a situation of this type may take nothing, since the unscrupulous seller may be judgment-proof or *in absentia*. Further qualification is necessitated by the situation where both the true owner and the bona fide purchaser are equally diligent in protecting themselves against theft or acquisition of a defective title. In this difficult situation, the courts attempt to mete out justice by balancing the equities on a case-by-case basis.

4. In *Heath v. Stoddard*, 91 Me. 499, 40 A. 547 (1898), a true owner could not reclaim a piano from a bona fide purchaser principally because the true owner entrusted the piano to an agent who also sold musical instruments. The court posited that the true owner stood by and permitted the fraud to occur, and was thereby estopped from asserting ownership. See also *Zendman v. Harry Winston, Inc.*, 305 N.Y. 180, 111 N.E.2d 871 (1953). The *Heath* rule was codified in section 2-403(2) of the Uniform Commercial Code, *infra* note 102.

5. Several courts have held that occupation consistent with a recorded title permits a purchaser to attribute this possession to the seller and rely upon such title. See generally *In re Engelbrecht*, 10 F. Supp. 398 (S.D. Iowa 1935); *Schell v. Kneeder*, 359 Pa. 424, 59 A.2d 91 (1948); *Olson v. Olson*, 203 Minn. 99, 280 N.W. 640 (1938); 6A R. POWELL, *supra* note 1, 291-92.

6. 2 W. WALSH, *supra* note 1, at 488. The plain meaning and import of the system of recording is that the purchaser has a right to rely upon the documents of record, *Earle v. Fiske*, 103 Mass. 491 (1870), because the statute is intended to render titles secure and prevent confusion, *Patterson v. Bryant*, 216 N.C. 550, 5 S.E.2d 849 (1939), and to provide constructive notice to all who are bound to search the record, *Mountain States Telephone & Telegraph Co. v. Kelton*, 79 Ariz. 126, 285 P.2d 168 (1955).

7. 2 W. WALSH, *supra* note 1, at 3.

8. These may include actions for breach of contract, fraud, or injunctive relief.

even to the rights of the true owner.

The recording scheme for real property is, of course, much more complicated than this sketch indicates. For example, the technical requirements of recordation frequently are determinative. Further, not every subsequent buyer takes free of the rights of the true owner: He must be a bona fide purchaser, that is, one who purchases the property for value, and without knowledge (or notice) that the seller's power to transfer title is somehow defective.⁹

Notwithstanding these special cases, the real property regime generally creates a system by which persons who search the appropriate recording office can be relatively certain that they will get what they think they are buying: a title to real property reasonably free from doubt. There are analogous schemes with respect to personal property, and even with regard to certain intangible rights: the Uniform Commercial Code has developed an elaborate scheme for the protection of "security interests" in collateral which protects lenders from discovering too late that they have lent money on the basis of property that has been previously sold (or pledged) to another.¹⁰ Under the UCC, bona fide purchasers also have rights which may be superior to those of the first person to deal with the seller.

The common policy underlying these legal mechanisms for recording the indicia of ownership is to facilitate the marketability of the property in question because the ability to freely transfer property rights in response to changing market conditions is one of the most important ingredients in the successful operation of a free market economy. As the nature of the American economy shifts inexorably away from the traditional manufacture of goods towards the provision of services, the implementation of this policy in areas involving intellectual property such as literary works, computer programs, educational and training materials, and entertainment emerges as a paramount concern. Indeed, a superficial reading of the Copyright Act of 1976 leads one to believe that such an

9. As long as the government remains stable, the risks are sufficiently minimal to induce insurance companies to issue policies covering losses suffered if the recording system betrays their insured purchaser. In order to be accorded the protection of the judicial system, a bona fide purchaser must have purchased for value and without notice of the prior conveyance after relying on the record. *Walters v. Calderon*, 25 Cal. App. 3d 863, 102 Cal. Rptr. 89, 97 (Cal. Ct. App. 1972).

10. U.C.C. Article Nine. See generally *J. WHITE & R. SUMMERS, UNIFORM COMMERCIAL CODE* Ch. 23 (1980) which outlines the priority scheme for perfected creditors under Article Nine.

adaptation has been achieved in this crucial area.¹¹

It is the thesis of this article that inadequate protection exists under the Copyright Act of 1976 as presently written. If a meaningful system of protection for the bona fide purchaser of a copyright is to be created, it must come about by Congressional action or by placing a strained judicial construction on a statute whose approach to the question of bona fide purchaser rights is fundamentally flawed. Part I reviews the requirements for the recognition of federal copyright, and the significance attached to such protection: the ability of the owner of a copyright to sue anyone who infringes his statutory rights. Part II discusses specific procedural prerequisites for a copyright infringement suit and outlines the federal registration and recording scheme. Part III draws upon the previous analysis to demonstrate the ineffectiveness of the copyright laws in dealing with the question of protecting the rights of a bona fide purchaser.

II. SUBSTANTIVE REQUIREMENTS FOR COPYRIGHT OWNERSHIP

Copyright law creates property interests by providing legal recognition for interests which are otherwise merely moral rights.¹² Necessary components of a property interest are the legal recognition of ownership¹³ and the regulation of the incidents of ownership including (of paramount importance in a free market econ-

11. See Copyright Act of 1976, 17 U.S.C. §§ 101-914 (1982 & Supp. IV 1986). Specifically, sections 201-205 (Copyright Ownership and Transfer) and sections 401-412 (Copyright Notice, Deposit, and Registration) are analogous to those mechanisms which provide for the recording of the indicia of ownership of real and personal property.

12. In its broadest application, moral rights refers to the underlying ethical consideration in awarding a creator any benefits derived by virtue of his creation. In this context, it differs from the specific "droit morale" statutes in New York, California and New Jersey which address the rights of a visual artist to be protected from defacement, mutilation, and destruction of a work of fine art. See Clough, *Legal Protection for the "Moral Rights" of Visual Artists: A Growing Trend in State Legislation* 33 COPYRIGHT LAW SYMPOSIUM (1987).

13. In his famous concurring opinion in *White-Smith Music Publishing Co. v. Apollo Co.*, 209 U.S. 1 (1908), Justice Holmes characterized incidents of copyright property as follows:

The notion of property starts, I suppose, from confirmed possession of a tangible object and consists in the right to exclude others from interference with the more or less free doing with it as one wills. But in copyright property has reached a more abstract expression. The right to exclude is not directed to an object in possession or owned, but is now *in vacuo*, so to speak. It restrains the spontaneity of men where but for it there would be nothing of any kind to hinder their doing as they saw fit. It is a prohibition of conduct remote from the persons or tangibles of the party having the right. It may be infringed a thousand miles from the owner and without his ever becoming aware of the wrong.

White-Smith Music Publishing Co., 209 U.S. 1, 19.

omy) alienability. The Copyright Act of 1976, the most recent manifestation of federal copyright law, defines the existence and extent of the property created.¹⁴ However, the Copyright Act of 1976 relegates several significant ownership issues to state law, so that copyright ownership contains mixtures of federal and state law. Part A will outline the creation of the copyright property interest. Part B then will then consider the incidents of ownership of the property right created.

A. *The Creation of a Copyright as Property*

The Copyright Act of 1976 changed the law that had existed since 1791 by establishing a single system of federal copyright protection.¹⁵ Under prior copyright statutes, state and federal mechanisms of copyright protection co-existed,¹⁶ albeit neither peacefully nor mutually. State common law protection was available for "unpublished" works while federal copyright protection covered published works.¹⁷ The 1976 Act extended federal copyright protection to all matter which is copyrightable,¹⁸ regardless of whether it has been "published." The statute explicitly preempts state law.¹⁹ If

14. 17 U.S.C. § 102(a)(1)-(7) (1982) states, in pertinent part: "[C]opyright protection subsists . . . in original works of authorship . . . includ[ing] the following categories: literary works; musical works, including any accompanying words; dramatic works, including any accompanying music; pantomimes and choreographic works; pictorial, graphic, and sculptural works; motion pictures and other audiovisual works; and sound recordings."

15. The single system of protection exists for all original works of authorship published or unpublished from the moment they are fixed in a tangible medium of expression. State law is expressly preempted. A. LATMAN, *COPYRIGHT FOR THE EIGHTIES* 10 (2d ed. 1948).

16.

Until the advent of the Copyright Act of 1976, the American law of copyright had been the subject of a dichotomy between federal and state law. Unpublished works were automatically protected by state law, referred to somewhat inaccurately as common law copyright. Such protection began at the moment of creation, and terminated upon publication, when common law copyright was lost.

M. NIMMER & D. NIMMER, *NIMMER ON COPYRIGHT* § 2.02 (1987).

17. Considerable dispute arose over the concept of "publication" demarcating the boundary between the two regimes. *See generally* *Wheaton v. Peters*, 33 U.S. 591 (1834); *Shapiro, Bernstein & Co. v. Miracle Record Co.*, 91 F. Supp. 473 (N.D. Ill. 1950); *Rosette v. Rainbo Record Mfg. Corp.*, 354 F. Supp. 1183 (S.D.N.Y. 1973), *aff'd per curiam*, 546 F.2d 461 (2d Cir. 1976); *King v. Public Affairs Associates v. Rickover*, 284 F.2d 262 (D.C. Cir. 1960), *vacated*, 369 U.S. 111 (1962), *on remand*, 268 F. Supp. 444 (D.D.C. 1967); *National Comics Publications, Inc. v. Fawcett Publications, Inc.*, 191 F.2d 594 (2d Cir. 1951); *Bobbs-Merrill Co. v. Straus*, 147 F. 15 (2d Cir. 1906), *aff'd*, 210 U.S. 339 (1908).

18. A remnant of state protection may exist for expressions that do not meet the minimal standards for federal copyright. The Copyright Act of 1976 arguably permits states to protect original works before they are "fixed." H. HENN, *COPYRIGHT PRIMER* 39 n.9 (1979).

19. Section 301 states:

On and after January 1, 1978, all legal or equitable rights that are equivalent to any of the exclusive rights within the general scope of copyright as specified by

the work is not copyrightable under federal law, there is no statutorily protectable property interest.²⁰

The basic requirement for federal protection derives from the statute's statement that "[c]opyright protection subsists . . . in original work of authorship fixed in any tangible medium of expression."²¹ The two elements of copyright are thus originality and fixation.

Originality in copyright, unlike the Patent Act's requirement of "novelty,"²² does not entail newness, creativity, or striking uniqueness.²³ Rather, it suffices that the work was "original" to the author, that is, that the particular work "owed its origin to the author."²⁴ The standard is virtually *de minimis*:²⁵ it effectively excludes only works that are either already copyrighted²⁶ or in the

Section 106 in works of authorship that are fixed in a tangible medium of expression and come within the subject matter of copyright as specified by Sections 102 and 103, whether created before or after that date and whether published or unpublished, are governed exclusively by this title. Thereafter, no person is entitled to any such right or equivalent right in any such work under the common law or statutes of any State.

17 U.S.C. § 301 (1982).

20. This conclusion assumes that there is no protectable interest under other federal statutes related to intellectual property, such as patent and trademark law. *See also supra* note 18 and accompanying text.

21. 17 U.S.C. § 102(a) (1982).

22. The novelty requirements of the 1952 Patent Act are set forth at sections 101, 102, and 103 of Title 35 of the United States Code. There are three conditions necessary for granting a patent: novelty, utility (§§ 101, 102); and non-obviousness (§ 103). Section 103 further sets forth conditions for patentability as follows:

A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter sought as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject pertains. Patentability shall not be negated by the manner in which the invention was made.

35 U.S.C. § 103 (1982).

23. *Alfred Bell & Co. v. Catalda Fine Arts, Inc.*, 191 F.2d 99 (2d Cir. 1951); *Runge v. Lee*, 441 F.2d 579 (9th Cir.), *cert. denied*, 404 U.S. 887 (1971).

24. *Alfred Bell & Co.*, 191 F.2d at 102; *Burrow-Giles Lithographic Co. v. Sarony*, 111 U.S. 53, 57-58 (1884); *Sheldon v. Metro-Goldwyn Pictures Corp.*, 81 F.2d 49 (2d Cir. 1936), *aff'd*, 309 U.S. 390 (1940).

25. *L. Batlin & Son v. Snyder*, 536 F.2d 486 (2d Cir. 1976).

26. Indeed, on a theoretical level, copyright protection can reach work already copyrighted or in the public domain so long as the work was independently originated. However, the protection offered in such cases would be of no use: everyone would be free to copy a public domain work, though prohibited from copying the independently created version.

Frequently cited for this proposition is Judge Learned Hand's phrase in *Sheldon*: "[I]f by some magic a man who had never known it were to compose anew Keats' Ode On a Grecian Urn, he would be an 'author', and, if he copyrighted it, others might not copy that poem, though they might of course copy Keats." *Sheldon*, 81 F.2d at 54.

public domain.²⁷ Indeed, even materials in the public domain or previously copyrighted works can provide the basis for newly copyrighted works if the requisite minimal originality is satisfied in the creation of the new versions.²⁸ For example, a new edition of Shakespeare's works could be copyrightable in order to protect a new treatment and artwork, although the words of the Bard have been in the public domain for centuries.

Under the Copyright Act of 1976, fixation of an original work may be accomplished in any variety of several media, in recognition of the rapidly evolving technology. For example, under the old copyright statutes, music and dance were incapable of being "fixed" except by written notation.²⁹ But under the new Act, fixation can occur by recording the musical sounds on tape or by visually recording the choreography.³⁰ Fixation of a computer program may be on disk or even in the computer's volatile memory cells.

In short, any original creation fixed in any perceptible medium is protected. As the quantum of originality for copyright is very low, the protection given is correspondingly limited because the statute does not protect the idea or concept of the work³¹ but only the author's expression of it.³² This idea/expression dichotomy has given rise to a significant amount of litigation.³³ Nevertheless, the

27. *Hoehling v. Universal City Studios, Inc.*, 618 F.2d 972 (2d Cir. 1979), *cert. denied*, 449 U.S. 121 (1980); 17 U.S.C. § 8: "No copyright shall subsist in the original text of any work which is in the public domain"

28. *Sheldon*, 81 F.2d 49; *Golding v. R.K.O.*, 221 P.2d 95 (1950); *Fisher v. Dillingham*, 298 F. 145 (S.D.N.Y. 1924); *Novelty Textile Mills, Inc. v. Joan Fabrics Corp.*, 558 F.2d 1090 (2d Cir. 1977).

29. Music was notated in the form of sheet music or lead sheets, while dance notation was entitled "Labanotation" or "Benesh Notation." Traylor, *Choreography, Pantomime and the Copyright Revision Act of 1976*, 16 NEW ENGLAND L. REV. 227, 231 (1981).

30. Section 102(a) of the Act recognizes fixation "in any manner now known or later developed" from which the work "can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device." 17 U.S.C. § 102(a) (1982).

31. Section 102(b) states: "In no case does copyright protection for an original work of authorship extend to any idea . . . [or] concept, regardless of the form in which it is described, explained, illustrated, or embodied in such work." 17 U.S.C. § 102(b) (1982).

32. If the proverbial band of monkeys playing with typewriters were to create "Hamlet" without reference to Shakespeare, theoretically they would be able to copyright their work. Of course, while no one could copy their creation, everyone would be able to copy Shakespeare's work, which is in the public domain. See *supra* note 26.

33. As to historical facts, see *Rosemont Enterprises, Inc. v. Random House, Inc.*, 366 F.2d 303 (2d Cir. 1966), *cert. denied*, 385 U.S. 1009 (1967); *Alexander v. Haley*, 460 F. Supp. 40 (S.D.N.Y. 1978); *Miller v. Universal City Studios*, 650 F.2d 1365 (5th Cir. 1981). As to plot and literary characters, see *Nichols v. Universal Pictures Corp.*, 45 F.2d 119 (2d Cir. 1930). As to fictional characters, see *Detective Comics, Inc. v. Bruns Publishing, Inc.*, 111 F.2d 432 (2d Cir. 1940) where the court declared, "We think it plain that the defendants have used more than general types and ideas and have appropriated the pictorial and liter-

distinction is critical to the whole scheme of copyright protection and distinguishes that statute from the Patent Act.³⁴

Once an author has fixed his or her original work in a tangible medium of expression, the Copyright Act is supposed to protect the author against infringement.³⁵ Infringement is defined as certain designated uses inconsistent with the copyright owner's exclusive right to reproduce; to prepare derivative works; to distribute copies; to publicly perform the work; and to display the work.³⁶

The tenor of this scheme, as opposed to the former law, is to provide federal protection even before "publication" has occurred: after all, publication is included in the rights to reproduce and distribute, in the case of written works, and to perform or display music and dance. While there is no requirement of publication for protection, if the copyright owner does publish, he or she must include a copyright notice³⁷, or risk loss of the copyright. However the Copyright Act of 1976 liberalizes prior law by permitting an owner who publishes without the appropriate notice to cure that defect within five years, subject to certain limitations.³⁸

Moreover, copyright protection exists in principle before registration of the work with the Copyright Office. Section 408, which establishes the requirements for registration, explicitly provides that "registration is not a condition of copyright protection."³⁹ The work is protected the moment it is created—even before the work is completed.⁴⁰ However, the practical value of this protection is

any details embodied in the copyrights." *Id.* at 433; *Sid and Marty Krofft Television v. McDonald's Corp.*, 562 F.2d 1157 (9th Cir. 1977). As to bookkeeping systems and forms, see *Baker v. Selden*, 101 U.S. 99 (1879) wherein the court stated: "When the 'idea' and its 'expression' are thus inseparable, copying the expression will not be barred, since protecting the expression in such circumstances would confer a monopoly of the idea upon the copyright owner free of the conditions and limitations imposed by the patent law." *Id.* at 103. See also *Morrissey v. Proctor and Gamble Co.*, 379 F.2d 675 (1st Cir. 1967); *Continental Casualty Co. v. Beardsley*, 253 F.2d 702 (2d Cir. 1958); *Crume v. Pacific Mut. Life Ins. Co.*, 140 F.2d 182 (7th Cir. 1944).

34. See *supra* note 22 and accompanying text.

35. Section 501(a) defines infringer as follows: "Anyone who violates any of the exclusive rights of the copyright owner as provided by Sections 106 through 118, or who imports copies or phonorecords into the United States in violation of Section 602, is an infringer of the copyright." 17 U.S.C. § 501(a) (1982).

36. *Id.* § 106.

37. *Id.* § 401.

38. *Id.* § 405(a)(2).

39. Section 408 qualifies this statement by making it "subject to section 405(a)." 17 U.S.C. § 408(a) (1982). Section 405 deals with the copyright notice which is to be placed on works "publicly distributed by authority of the copyright owner." If the notice is omitted, the copyright is invalid, subject to several relatively narrow exceptions. *Id.* § 405(a).

40. The statute provides that a work is "created" when it is fixed for the first time. As to works prepared over a period of time "the portion of it that has been fixed at any partic-

sharply circumscribed by the provisions addressing the remedies for infringement.⁴¹ The Act provides that a plaintiff may not seek to enjoin an infringement until he has registered.⁴² The legislative history of the Copyright Act addresses this question directly: "Under the bill, as under the law now in effect, a copyright owner who has not registered his claim can have a valid cause of action against someone who has infringed his copyright, but he cannot enforce his rights in the courts until he has made registration."⁴³

Despite this precondition to enforcement, it remains meaningful to describe copyright protection as being independent of registration: such protection comes into being prior to registration in the sense that a person who infringes one of the five exclusive rights is liable for acts committed before registration.⁴⁴

B. Ownership Of Copyright

The creation of a "property" interest necessarily recognizes ownership of that interest. The parallel principles in the law of real property also address the question of the right of an owner to transfer all or part of the property created.⁴⁵ The 1976 Copyright Act addresses this question in a tortuous manner.

Section 102, which deals with the "subject matter of copyright," speaks in the passive voice: "copyright protection subsists" in original works which are fixed as required. But in whom does the protection subsist? The first statutory recognition of this question appears in section 106 which specifies that the five exclusive rights comprising the copyright belong to the "owner." The term "copyright owner" is defined in section 101, most unhelpfully, as follows: "'Copyright owner,' with respect to any one of the exclusive rights comprised in a copyright, refers to the owner of that particular right."⁴⁶

More assistance is found in Chapter Two of the Act, com-

ular time constitutes the work as of that time" *Id.* § 101.

41. See *infra* notes 45-71 and accompanying text.

42. 17 U.S.C. § 411 (1982).

43. H.R. REP. No. 94-1476, 94th Cong., 2d Sess. 62-62 (1976) p. 157 [hereinafter *House Report*].

44. The specific language of the House Report states in pertinent part: "Under the general scheme of the bill, a copyright owner whose work has been infringed before registration would be entitled to the remedies ordinarily available in infringement cases" *Id.* at 158.

45. The law of property involves six rights: the right to possess, exclude others, dispose, use, enjoy the fruits and profits, and destroy. Pound, *The Law of Property and Recent Juristic Thought*, 25 A.B.A. J. 993, 996 (1939).

46. 17 U.S.C. § 101 (1982).

mencing at section 201, which defines the "Initial Owner" of a copyright as "the author or authors of the work."⁴⁷ Unfortunately, the statute does not define "author," but case law fills that omission.⁴⁸ The question of authorship of a work typically is not difficult. The author is normally the creator. But the Copyright Act recognizes two qualifications to that statement. The first is the question of joint authorship, where more than one author contributes to a copyrightable work. This recognition is reflected in the Act in the concept of "joint work." A joint work is one which is the product of two or more persons who intend at the time of creation that their contributions be an inseparable part of a unitary whole.⁴⁹ This is distinguishable from a work which includes intentionally separable contributions. For example, two persons might collaborate on a musical work, one being the author of the lyrics, the other the author of the music. If the two intended the final product to be one work of authorship, a joint work is created and the two authors are indivisible owners of a unitary whole. If, however, the two viewed their contributions as separate, each has individual authorship rights and exclusive rights to his or her contribution. Each may register separately.

A second qualification of author is found in the "works for hire" doctrine. A work for hire may exist in two contexts, but in either case, the creator's employer, and not the actual creator, is considered the "author."⁵⁰ The first situation occurs when the work is "prepared by the employee within the scope of his or her employment."⁵¹ The second situation covers works which are "specially ordered or commissioned" and include a number of listed uses.⁵² The first category seems to include the "employment" rela-

47. 17 U.S.C. § 201(a) (1982).

48. The person who claims authorship of the copyright in the first instance must be the "author" or his successor in interest. *Epoch Producing Corp. v. Killiam Shows, Inc.*, 522 F.2d 737 (2d Cir. 1975); *Van Cleef & Arpels, Inc. v. Schechter*, 308 F. Supp. 674 (S.D.N.Y. 1969).

49. 17 U.S.C. § 101 (1982).

50. The Copyright Act develops a number of provisions related to the rights of the employer-author. In determining nationality for registration purposes, see 17 U.S.C. §§ 104(b)(1), (4); *M. NIMMER & D. NIMMER, supra* note 16, at § 5.05[B]; with respect to the manufacturing clause, see § 601(b)(1), *HOUSE REPORT, supra* note 43, at 167; as to duration, 17 U.S.C. §§ 302(c), 304(a); with respect to termination, see 17 U.S.C. § 203(a).

51. 17 U.S.C. § 101 (1982).

52. Subsection (2) of section 101 defines "work made for hire" to include: a work specially ordered or commissioned for use as a contribution to a collective work, as a part of a motion picture or other audiovisual work, as a translation, as a supplementary work, as a compilation, as an instructional text, as a test, as answer material for a test, or as an atlas, if the parties expressly agree in a writ-

tionship, while the second category embraces what would otherwise be known as "independent contractors."

Once authorship is determined, that person is the "initial owner" who is vested with the five exclusive rights comprising the copyright. The concept of initial owner necessarily suggests subsequent owners and therefore, the possibility of transfers of ownership. Section 201(d) addresses various kinds of transfers, and makes two important distinctions. First, the statute recognizes that the "copyright" property, like other property, is really the sum total of a "bundle of rights" or interests which can be transferred together or separately. Each of the five exclusive rights comprising the copyright can be transferred independently of the others; but more importantly, each of the exclusive rights also can be subdivided and these subdivisions can be transferred.⁵³ Under the 1909 Act, a copyright was considered indivisible, virtually incapable of transfer in part.⁵⁴ There was little or no recognition of a copyright owner's ability to carve out portions of the copyright interest and transfer less than the entire interest.⁵⁵ Hence, the old Act adopted the traditional property distinction between assignments and licenses, granting standing to sue only to those who held the copyright interest by assignment.⁵⁶ Several theories were advanced for this proposition. The first justification was the necessity of protect-

ten instrument signed by them that the work shall be considered a work made for hire. For the purpose of the foregoing sentence, a "supplementary work" is a work prepared for publication as a secondary adjunct to a work by another author for the purpose of introducing, concluding, illustrating, explaining, revising, commenting upon, or assisting in the use of the other work, such as forewords, afterwords, pictorial illustrations, maps, charts, tables, editorial notes, musical arrangements, answer material for tests, bibliographies, appendixes, and indexes, and an "instructional text" is a literary, pictorial, or graphic work prepared for publication and with the purpose of use in systematic instructional activities.

Id.

53. This is clear from section 201(d)(2) of the Act, which states:

Any of the exclusive rights comprised in a copyright, including any subdivision of any of the rights specified by section 106, may be transferred as provided by clause (1) and owned separately. The owner of any particular exclusive right is entitled, to the extent of that right, to all of the protection and remedies accorded to the copyright owner by this title.

17 U.S.C. § 201(d)(2) (1982).

54. See generally Kaminstein, *Divisibility of Copyright*, 1 STUDIES ON COPYRIGHT 623 (1963).

55. But see *Goodis v. United Artists Television, Inc.*, 425 F.2d 397 (2d Cir. 1970) (Indivisibility principle not determinative regarding ability of party to seek copyright).

56. See generally *International Film Exchange, Ltd. v. Corinth Films, Inc.*, 621 F. Supp. 631, 635 (S.D.N.Y. 1985); *Hirshon v. United Artists Corp.*, 243 F.2d 640 (D.C. Cir. 1957); *Public Ledger v. New York Times*, 275 F. 562 (S.D.N.Y. 1921), *aff'd*, 279 F. 747 (2d Cir. 1922).

ing alleged infringers from the harassment of successive lawsuits.⁵⁷ The second simply incorporated the notion that, under the old Act, the only effective manner in which a copyright could be exploited was through the reproduction of copies.⁵⁸ However, "advancing technological and creative uses dictated the creation of a system recognizing the lucrative potential of exploiting various creative sub-species or interests in a single work."⁵⁹

To illustrate the point, suppose an author writes a manuscript. She has the right to reproduce it in hardback book form. That right could be assigned to a publisher. The author, however, might wish to retain the movie rights or the right to dramatize the work as a theatrical production. Therefore, it is possible that the author will later assign the motion picture rights to a studio, and the dramatic rights to a Broadway producer. At this point, there are at least three separate persons who have ownership interests in the work, none of whom is the author. But the author may have retained still other rights, such as television rights or the right to publish the book in paperback form. While some of these rights (such as the right to reproduce the work) constitute one of the five basic rights, others (such as motion picture and dramatic rights) are subdivisions of one basic right (the right to make derivative works). Further, it is possible for persons to be granted either exclusive or nonexclusive rights. For the moment, these distinctions are not important, although we will return to the question later.

Second, the Copyright Act of 1976 makes clear that any of these rights⁶⁰ may be transferred to a subsequent owner. Such interest may be transferred, according to section 201(d)(1) "by any means of conveyance or by operation of law, and may be bequeathed by will or passed as personal property by the applicable laws of intestate succession."⁶¹

Similarly, in dealing with infringement suits, section 501(b) provides that: "The legal or beneficial owner of an exclusive right under a copyright is entitled, subject to the requirements of section 205(d) [recordation] and 411 [registration] to institute an ac-

57. See *Commissioner v. Wodehouse*, 337 U.S. 369, 401 (1949) (Frankfurter, J. dissenting). See also *New Fiction Publishing Co. v. Star Co.*, 220 F. 994 (S.D.N.Y. 1915). This procedural safeguard was largely negated by subsequent rules permitting joinder between the holder of the license and the copyright proprietor. M. NIMMER & D. NIMMER, *supra* note 16, at § 12.02.

58. M. NIMMER & D. NIMMER, *supra* note 16, at § 10.01.

59. *Id.*

60. Section 210(d)(1) provides for transfer "in whole or in part."

61. 17 U.S.C. § 201(d)(1) (1982).

tion for any infringement of that particular right committed while he or she is the owner of it.”⁶²

What emerges from this regime is an incorporation of state law into the federal scheme. This is explicit in the reference to “applicable law of intestate succession” in section 201(d)(1), but seems implicit in the phrase “operation of law,” presumably referring to state systems.⁶³ Similarly, the reference to “legal or beneficial owner” seems to contemplate a property regime far more elaborate than that found in the Copyright Act itself.⁶⁴

But is the incorporation of state laws more complete? Does state law define how and in what manner the copyright may be transferred? The answer is not so clear. The Copyright Act of 1976 explicitly legislates the formal requirements of a transfer: “A transfer of copyright ownership, *other than by operation of law*, is not valid unless an instrument of conveyance or a note or memorandum of the transfer is in writing and signed by the owner of the rights conveyed or such owner’s duly authorized agent.”⁶⁵

This section establishes a kind of statute of frauds precluding the effectiveness of any purported transfer which does not meet the stated conditions. Does this statute leave other questions of the effectiveness of transfers to state law?

Perhaps this can be clarified by an example. An author writes a manuscript, and therefore creates a property interest which is expressed by saying that it is “copyrighted.” As author, he is the initial owner. He can transfer the copyright according to the federal statute, so long as the transfer is accomplished in an appropriate manner. But suppose the writer executes a writing purporting

62. *Id.* § 501(b).

63. Section 301(b) specifically refers to the power of the state to exercise jurisdiction with respect to:

- (1) subject matter that does not come within the subject matter of copyright as specified by sections 102 and 103, including works of authorship not fixed in any tangible medium of expression; or
- (2) any cause of action arising from undertakings commenced before January 1, 1978; or
- (3) activities violating legal or equitable rights that are not equivalent to any of the exclusive rights within the general scope of copyright as specified by section 106.

Id. § 301(b).

64. The courts apply the concept of beneficial owner in those circumstances where, for example, an author assigns his copyright interest to a publisher who contractually accepts the responsibility of preserving the copyright in the literary work. If the publisher allows the work to enter the public domain through commission or omission, the publisher is regarded as holding the copyright in trust for the author. Thus, although the publisher may hold the “legal” interest in the copyright, the author is said to hold the “beneficial” interest.

65. 17 U.S.C. § 204(a) (1982) (emphasis added).

to transfer the copyright to his daughter. Is this transfer effective? Under traditional state law, the question would be whether the transfer was pursuant to a contract with valid consideration or whether it was an effective gift, requiring both delivery (presumably, of the transfer instrument)⁶⁶ and donative intent.

To focus the question even more, suppose the author is a 14 year-old who, by written instrument, purports to transfer the copyright to a buyer. Is this transfer from a minor effective? The answer to this question appears to be a matter of state law. If so, then the federal Copyright Act establishes the minimum requirement of a valid transfer — a sufficient writing⁶⁷ — but leaves other questions of transferability to state law.⁶⁸

While this interpretation of the Act is not inevitable,⁶⁹ it seems the better reading because the particular section recognizing transferability expressly states that state law is controlling with regard to intestate transfers and defers to state law with respect to transfers by “operation of law.”⁷⁰

66. This presumption has its basis in the notion that transfer of the copyright is not presumed by change of possession of the manuscript, since the Act mandates the distinction between ownership of the copyright and ownership of the material object. Section 202 states in pertinent part:

Transfer of ownership of any material object, including the copy or phonorecord in which the work is first fixed, does not of itself convey any rights in the copyrighted work embodied in the object; nor, in the absence of an agreement does transfer of ownership of a copyright or of any exclusive rights under a copyright convey property rights in any material object.

Id. § 202.

67. Federal law may also alter what state law might otherwise require in different ways. For example, section 202 provides that:

Ownership of a copyright or of any of the exclusive rights under a copyright is distinct from ownership of any material object in which the work is embodied. Transfer of ownership of any material object . . . does not of itself convey any rights in the copyrighted work embodied in the work; nor, in the absence of an agreement, does transfer of ownership of a copyright or any exclusive rights under a copyright convey property rights in any material object.

Id. § 202.

68. Section 101, the definitions section of the Act, elaborates on this somewhat: A “transfer of copyright ownership” is an assignment, mortgage, exclusive license or any other conveyance, alienation, or hypothecation of a copyright or of any of the exclusive rights comprised in the copyright, whether or not it is limited in time or place of effect, but not including a nonexclusive license. *Id.* § 101.

69. Congress could have intended to have all questions of transferability decided by federal law. To the extent that they were not explicitly addressed in the statute, the federal courts would be charged with creating a federal common law of copyright.

70. The term “operation of law” covers a multitude of situations. One obvious example might be transfers under federal bankruptcy law, which normally do not implicate state law. But the phrase generally also includes transfers accomplished by traditional state law means, including trusts and estates law, transfers by matrimonial courts, transfers in the dissolution of corporations and partnerships, and transfers to satisfy judgments for money

In sum, federal law defines the property, specifies its initial owner, and establishes the separate rights which may be transferred. It also establishes minimum requirements for transfer. But federal law then defers to state law in determining the substantive law of alienation of property.⁷¹

III. PROCEDURAL REQUIREMENTS FOR VINDICATING COPYRIGHTS

The fact that a person owns a copyright is not sufficient, in and of itself, to allow her to sue for its infringement. The Copyright Act of 1976 establishes two procedural prerequisites to suit: registration and recordation. First, the statute requires "registration" as a condition precedent to suit for infringement.⁷² Section 411 of the statute provides in pertinent part: "[n]o action for infringement of the copyright in any work shall be instituted until registration of the copyright claim has been made in accordance with this title"⁷³ This might suggest that copyright protection does not exist until registration, but, as we have seen, another provision of the Act expressly provides that "registration is not a con-

damages.

Of course, a problem arises as to whether a state court can adjudicate the ownership or the validity of a copyright. The answer appears to be in the affirmative, although it is also clear that the federal courts have exclusive jurisdiction of "infringement" actions. *See generally* T.B. Harms Co. v. Eliscu, 339 F.2d 823 (2d Cir. 1964), *cert. denied*, 381 U.S. 915 (1965); Gilliam v. American Broadcasting Companies, 538 F.2d 14 (2d Cir. 1976); Aldon Accessories Ltd. v. Spiegel, Inc., 738 F.2d 548 (2d Cir.), *cert. denied*, 469 U.S. 982 (1984).

71. There may be a serious question as to whether state law can treat copyrights differently than other property, or whether federal law presumes that state law will treat copyright transfers as it does transfers of comparable property.

72. The statute has several exceptions to the registration requirement. Most obviously, section 411 provides that a plaintiff who attempts to register but is refused registration by the Copyright Office may sue for infringement, provided that notice and the complaint are served on the Office. Section 411 also creates an exception in paragraph (b) for a work which is fixed simultaneously with its transmission as follows:

(b) In the case of a work consisting of sounds, images, or both, the first fixation of which is made simultaneously with its transmission, the copyright owner may, either before or after such fixation takes place, institute an action for infringement under section 501, fully subject to the remedies provided by sections 502 through 506 and sections 509 and 510, if, in accordance with requirements that the Register of Copyrights shall prescribe by regulation, the copyright owner —

(1) serves notice upon the infringer, not less than ten or more than thirty days before such fixation, identifying the work and the specific time and source of its first transmission, and declaring an intention to secure copyright in the work; and

(2) makes registration for the work within three months after its first transmission.

17 U.S.C. § 411 (1982).

73. 17 U.S.C. § 411 (1982).

dition of copyright protection.”⁷⁴ Thus, it is clear that Congress intended to create substantive rights which are subject to procedural requirements before they can be enforced.⁷⁵

The simple paradigm of this system in operation occurs when the author of the work also registers it. In order to sue successfully for infringement, a plaintiff not only must own the copyright at the time of infringement, but also must be able to establish that the copyright was registered. The registering author has no problems satisfying these requirements. Section 408 of the Copyright Act mandates that the “owner of a copyright or of any exclusive right in the work” may register the work. The author may register because the statute provides that “the author or authors of the work” are the “initial owners.”⁷⁶ In short, an infringement suit may be brought by the initial owner if he or she has “registered” the work with the Copyright Office,⁷⁷ so long as the author has not transferred the relevant interest to anyone else. Once registration occurs, the author-registrant may sue not only for infringements occurring after the registration but also for infringements which occurred previously.⁷⁸ Unfortunately, this simple paradigm does not exhaust all the possibilities. The problem becomes more difficult when the author transfers some or all of his interests to others. The Copyright Act plainly envisions that there may be subsequent owners — persons to whom the initial owner has transferred the

74. 17 U.S.C. § 408 (1982).

75. There is another important distinction which turns on registration. The Copyright Act of 1976 generally provides plaintiffs with either actual damages or “statutory damages,” and, in both cases, attorneys’ fees. 17 U.S.C. §§ 504-505 (1982). But section 412 forecloses both statutory damages and attorneys’ fees for the period prior to registration:

In any action under this title, other than an action instituted under section 411(b), no award of statutory damages or of attorney’s fees, as provided by sections 504 and 505, shall be made for . . .

(1) any infringement of copyright in an unpublished work commenced before the effective date of its registration; or

(2) any infringement of copyright commenced after first publication of the work and before the effective date of its registration, unless such registration is made within three months after the first publication of the work.

17 U.S.C. § 412 (1982).

76. The “initial owner” is also the “author” under the Copyright Act, that is, the person who created the work in question. The statute also makes clear that the owner of an “exclusive right” also may register. 17 U.S.C. § 408. It has been argued, however, that a person who owns *some* of the exclusive rights (but less than all of them) is not the owner of the copyright. H. HENN, *COPYRIGHT PRIMER* (1979). Therefore, while the Copyright Act permits such a person to register, he or she may do so only on behalf of the owner.

77. The formalities of registration require completion of application; deposit of copies (§ 408(b)); and payment of fees (§ 409).

78. Infringement suits are subject to the statute of limitations of three years contained in section 507.

copyright. More accurately, the statute envisions the possibility of a number of subsequent owners because the initial owner may transfer any or all of the five exclusive rights which make up the copyright. Unlike prior law,⁷⁹ under the Copyright Act of 1976 the original owner may transfer any or all of his exclusive rights to an assignee. Further, the initial owner may transfer a part of any of his exclusive rights to an assignee.⁸⁰

To keep the analysis manageable, suppose that the initial owner transfers the entire copyright. Such transfers will affect the right to bring suit depending on whether the transfers are made before or after registration.

A. *Transfer of Rights Prior to Registration*

The initial owner may register her copyright, but suppose she does not. Instead she transfers the copyright to another person. At this point, there is another "owner" of the copyrighted work, but only one "initial owner." Further, neither can sue for infringement unless the copyright has been registered. Can anyone other than the initial owner register the copyright or any exclusive right?

The statute appears to answer the question in the affirmative. Section 408(a) provides: "At any time during the subsistence of copyright in any published or unpublished work the owner of copyright or any exclusive right in the work may obtain registration of the copyright claim"⁸¹ Since this language speaks of "owners," not merely "initial owners," subsequent owners who take the copyright from the author, presumably by transfer, are authorized to register the copyright. The author of the work, who was the initial owner, may no longer own any part of the copyright. So the present owner (of the entire copyright or of any exclusive right in the copyright) can seek registration. This is confirmed by the provisions of section 409 which specify the requirements for an application for registration. Section 409(5) explicitly anticipates a "copyright claimant" who is not an "author": "[I]f the copyright claimant is not the author [there shall be] a brief statement of how the copyright claimant obtained ownership of the copyright."⁸²

79. Kaminstein, *supra* note 54.

80. An "assignment" must be distinguished from a "license," and, indeed, it is important to distinguish between exclusive and non-exclusive licensees. An assignment transfers all of the owner's interest in the right assigned, whereas a license transfers a specific portion of the rights.

81. 17 U.S.C. § 408(a) (1982).

82. *Id.* § 409(5).

Section 409(11) also permits the Register of Copyrights to require more information on "ownership," among other questions.⁸³

One important question is whether a person other than an initial owner must provide the Copyright Office with written documentation of how he or she came to own the copyright or exclusive right in question. The instructions contained in the application for copyright registration require a statement of the manner in which the rights were acquired, and specifically prohibit the attachment of further documentation.⁸⁴

B. Transfer of Rights After Registration

"Recordation" is the mechanism employed by the Copyright Act to determine who, other than the registrant, may sue for infringement. Under the statute, anyone other than the copyright registrant may bring an infringement suit only if such transfer is by "operation of law" or if an instrument of transfer from the initial owner to the plaintiff seeking to enforce the transferred rights is recorded in the Copyright Office.⁸⁵

Section 204(a) deals with the requirements of an effective transfer. It provides: "A transfer of copyright ownership other than by operation of law is not valid unless an instrument of conveyance or a note or memorandum of the transfer is in writing and signed by the owner of the rights conveyed or such owner's duly authorized agent."⁸⁶ Section 205(d) goes further: "No person claiming by virtue of a transfer to be the owner of copyright or any exclusive

83. *Id.* § 409(11).

84. The instructions read as follows:

Transfer: The statute provides that, if the copyright claimant is not the author, the application for registration must contain "a brief statement of how the claimant obtained ownership of the copyright." If any copyright claimant named in space 4 is not an author named in space 2, give a brief, general statement summarizing the means by which that claimant obtained ownership of the copyright Do not attach transfer documents or other attachments or riders.

U.S. COPYRIGHT OFFICE, LIBRARY OF CONGRESS, FORM TX, APPLICATION FOR COPYRIGHT REGISTRATION FOR A NONDRAMATIC LITERARY WORK, reprinted in R. CHICKERING & S. HARTMAN, HOW TO REGISTER A COPYRIGHT AND PROTECT YOUR CREATIVE WORK 38, 45 (1987). Instructions similar to those in form TX also are found in forms VA, PA and SR which are, respectively, the applications for copyright registration for a work of the visual arts, a work of the performing arts, and a sound recording. *Id.* at 55, 65 and 75.

85. The only exceptions to the principle that only the initial owner or persons taking from him or her by virtue of a recorded instrument transferring the initial owner's rights to a transferee are copyrights that pass by operation of law. Thus, where the holder of a copyright dies, that right will pass either by will or intestacy. Similarly, when a copyright holder enters bankruptcy, the copyright may be transferred through the processes of bankruptcy court.

86. 17 U.S.C. § 204(a) (1982).

right under a copyright is entitled to institute an infringement action under this title until the instrument of transfer under which such person claims has been recorded in the Copyright Office."⁸⁷ As with registration, however, the statute provides that the recordation is not critical to the transfer of ownership; it is only a condition precedent to the right to sue to vindicate that ownership. Section 205(d) goes on to state: "Suit may be instituted after such recordation on a cause of action which arose before recordation."⁸⁸ In short, then, an infringement suit will pose no questions about the "standing" of the plaintiff to bring the action: if the plaintiff is the person claiming copyright, he or she need only produce a certificate of registration naming him or her as owner to support the suit. Registration is *prima facie* evidence of the validity of the copyright.⁸⁹ The registrant may be the author of the work or someone to whom ownership was transferred before the author registered the work. In the latter case, the registrant apparently is able to commence an infringement action without satisfying the recordation requirements.⁹⁰

If the plaintiff is someone other than the registrant, presumably, she will be able to produce both the certificate of registration identifying the author and a certificate of recordation establishing in herself the transfer of the right(s) being sued upon.⁹¹

Thus, in the preceding hypothetical, the transferee receiving the distribution rights may bring an infringement suit only after showing both the author's registration and the recorded transfer.

This scheme seems designed to create a recording system to minimize disputes about the ownership of the rights in question. It also encourages registration and/or recordation so that subsequent purchasers of such rights can, by examination of the records of the Copyright Office, determine the identity of the record owner.

However, this statutory scheme creates a number of problems which the courts have not resolved effectively. One question is

87. *Id.* at § 205(d).

88. *Id.*

89. Section 410(c) states: "In any judicial proceedings the certificate of a registration made before or within five years after first publication of the work shall constitute *prima facie* evidence of the validity of the copyright and of the facts stated in the certificate." 17 U.S.C. § 410(c) (1982).

90. The transferee must produce a document of transfer or proof of acquisition of the copyright by operation of law.

91. To illustrate, the initial owner may have transferred the right in question directly to the plaintiff. The plaintiff can thus point to both the registration and one recorded transfer. If the initial owner transferred to intervening assignees, then the plaintiff should be able to show a proper chain of title by registration and as many recordations as necessary.

whether the courts must insist on strict adherence to the registration and recordation requirements, as opposed to permitting the defenses of waiver or estoppel.⁹² A second, and more serious, prob-

92. A number of cases describe both recordation and registration as "jurisdictional prerequisites" to suit. That phrase, if it is chosen deliberately, must mean that the courts simply lack jurisdiction over suits unless and until the particular prerequisite has been satisfied.

On the other hand, not everything which is a procedural prerequisite to suit is truly "jurisdictional." For example, statutes of limitation typically bar suits unless they have been commenced within a certain time of the accrual of the cause of action. Courts view such statutes as not strictly prohibiting suit after the time has elapsed, that is, not jurisdictional in the strict sense, but rather being subject to such modifications as waiver and tolling.

The question is whether copyright registration and recordation requirements are jurisdictional or subject to such modifications. The Supreme Court recently addressed a requirement in another federal statute, Title VII of the Civil Rights Act of 1964, Pub. L. No. 88-352, 78 Stat. 253 (codified as amended in scattered sections of 42 U.S.C.) which had previously been characterized as a "jurisdictional prerequisite" by the Supreme Court itself and treated as strictly controlling by a number of lower courts. The requirement that the plaintiff have filed a charge of discrimination with a federal agency within a certain time after the violation as a condition precedent for bringing suit in court was held by the Supreme Court not to be a true jurisdictional prerequisite, but, like statutes of limitations, subject to equitable modifications like waiver and tolling. *Zipes v. Trans World Airlines*, 455 U.S. 385 (1982).

A typical statute of limitations is phrased in a manner similar to the language regarding registration and recordation. The registration statute, for example, provides that "no action for infringement of the copyright in any work shall be instituted until registration of the copyright claim has been made in accordance with this title." 17 U.S.C. § 411 (1982). This is modeled on the typical statute of limitations which begins: "no action may be maintained" Indeed, the Copyright Act of 1976 has its own statute of limitations which provides that "No civil action shall be maintained under the provisions of this title unless it is commenced within three years after the claim accrued." *Id.* § 507(b). It is clear, however, that this language has not been construed to bar judicial modifications. For example, courts have permitted the tolling of the limitations period for a plaintiff to assert fraudulent concealment. *Gee v. CBS, Inc.*, 471 F. Supp. 600 (E.D. Pa. 1979), *aff'd*, 612 F.2d 572 (3d Cir. 1980).

On the other hand, there is language in § 411(a) itself which, by implication at least, suggests that the Congress viewed the requirement of registration as jurisdictional. After setting down the general rule that infringements actions cannot be commenced without a registration, the statute goes on to create an exception: a proper attempt to register is all that is required if the Register of Copyright refuses registration. In such cases, the Register may, at its option, become a party. The paragraph concludes: "but the Register's failure to become a party shall not deprive the court of jurisdiction to determine the issue [of infringement]." *Id.* § 411(a).

While this does not directly state that registration is a jurisdictional prerequisite, it at least suggests that Congress was thinking in jurisdictional terms when it was prescribing registration as a prerequisite to suit. In fact, the courts addressing this issue generally described registration as a jurisdictional requirement. *See, e.g.* *Techniques, Inc. v. Rohn*, 592 F. Supp. 1195, 1197 (S.D.N.Y. 1984), citing *Vacheron & Constantin-Le Coultre Watches, Inc. v. Benrus Watch Co.*, 260 F.2d 637 (2d Cir. 1958); *Frankel v. Stein and Day, Inc.*, 470 F. Supp. 209 (S.D.N.Y. 1979), *aff'd*, 646 F.2d 560 (2d Cir. 1980); *G.P. Putnam's Sons v. Lancer Books, Inc.*, 251 F. Supp. 210 (S.D.N.Y. 1966); *Algonquin Music v. Mills Music, Inc.*, 93 F. Supp. 268 (S.D.N.Y. 1950).

One question has been whether a suit commenced before the appropriate recordation can continue to be prosecuted after the registration occurs. Under a strict jurisdictional

lem concerns the extent to which the registration and recordation scheme protects the rights of bona fide purchasers.

IV. BONA FIDE PURCHASERS OF COPYRIGHTS

To understand the rights of a bona fide purchaser under the Copyright Act, perhaps a hypothetical will assist the analysis. Imagine a simple fact situation. You have been approached by Smith who wants to transfer to you all of his interest in a musical composition entitled "Green Eyes." Being a cautious person, you go down to the Register of Copyrights and first examine the registration records. Sure enough, just as Smith claimed, there is a registration for "Green Eyes." Being very cautious, you proceed to the deposit section and discover that the registered material is, in fact, precisely the work which Smith has attempted to sell you. Now, being exceptionally cautious, you proceed to the recordation records and, looking under Smith's name as Transferor (and under "Green Eyes" by Title) you determine that no person has recorded any document transferring any interest in the work.

Feeling confident, you return to Smith, pay him what he asks, obtain an instrument of transfer and record that with the Register. Having been so careful, you are surprised when, one month later, in the midst of expensive preparations for the production of "Green Eyes" on Broadway, Jones, a stranger, approaches you and claims to own the work.

If we approach the question in terms of the statute, the first

analysis, the court must dismiss the suit because it has no jurisdiction to entertain it. Plaintiff may then refile it, but is subject to any intervening running of the statute of limitations.

Under the old Copyright Act, it was argued that the statute is not phrased in terms of prohibiting the commencement of an action without registration but only in barring the "maintaining" of such an action. Therefore, it is argued, a suit may be continued if the registration is obtained prior to the court's decision on a motion to dismiss. This analysis was roundly rejected by the courts under the prior act. See *New York Times Co. v. Sun Printing & Publishing Ass'n*, 204 F. 586 (2d Cir. 1913); *New York Times v. Star Co.*, 195 F. 110 (2d Cir. 1912). It is obviously inapplicable under the Copyright Act of 1976 because the present law bars the "institution" of suit without a predicate registration.

The same issue arises with respect to recordation. Perhaps because fewer persons attempt to bring infringement suits without a predicate registration than without recordation, there are more cases dealing with this issue. The courts tend to state that recordation is a "jurisdictional prerequisite to maintenance of a copyright infringement action," but they have rarely analyzed the question in any depth. *E.g.*, *Nation's Choice Vitamin Co. v. General Mills*, 526 F. Supp. 1014 (S.D.N.Y. 1981); *Co-Opportunities, Inc. v. National Broadcasting Co.*, 510 F. Supp. 43 (N.D. Cal. 1981); *Ruskin v. Sunrise Management, Inc.*, 506 F. Supp. 1284 (D. Colo. 1981); *Burns v. Rockwood Distributing Co.*, 481 F. Supp. 841 (N.D. Ill. 1979).

In *Co-Opportunities*, the plaintiff sought and was granted leave to amend his complaint in order to cure his defective registration.

issue is *how* the stranger claims to own the work. If Jones states that he is the transferee by conveyance from Smith, who is both the registrant and the person claiming to be the author, you immediately feel secure. Even if Jones has an instrument of transfer signed by Smith (which the Copyright Act of 1976 would require for the transfer to be effective), the recordation provisions of the Act make clear that you have the copyright not Jones: he failed to record his transfer, and therefore you, as a bona fide purchaser, prevail against him because of your subsequent recordation of the transfer from Smith. Jones's only right is to sue Smith for breach of contract or restitution. He cannot sue you for infringement, and he cannot perform the work without infringing the copyright which you own by virtue of your recordation.

This seems the clear purport of section 205(e):

As between two conflicting transfers, the one executed first prevails if it is recorded, in the manner required to give constructive notice under subsection (c), within one month after its execution in the United States or within two months after its execution outside the United States, or at any time before recordation in such manner of the later transfer. Otherwise the later transfer prevails if recorded first in such manner, and if taken in good faith, for valuable consideration or on the basis of a binding promise to pay royalties, and without notice of the earlier transfer.⁹³

The "first in time, first in right" principle is subordinated to the recordation system: a subsequent purchaser, who meets the section's definition of taking for value and without notice of the earlier transfer prevails over the prior transferee who has not recorded. The prior transferee prevails only if he or she first records.

Obviously, the concepts of "good faith" taking, "valuable consideration," and "without notice" may raise questions, but presumably Congress intended for the courts to look for analogies to bona fide purchaser law in other contexts.⁹⁴ But other questions arise which are peculiar to copyright law. The statute protects the transferee who is first in time within one month (or, if outside the United States, two months) to record. Thus, if Jones recorded after you did he would have rights superior to yours if his recordation occurred within one month of its execution in the United States or

93. 17 U.S.C. § 205(e) (1982).

94. The provision makes clear that a transfer with a promise to pay royalties is one for a valuable consideration. Thus, it is not necessary that any advance payment be made in order to qualify the transfer as bona fide if the transferee promises the transferror royalties.

within two months if executed outside this country. In terms of planning, however, this poses no substantial problem for well-advised copyright transferees: obviously, the anticipated consideration should be held in escrow for two months after the transfer is recorded. If a second search at the Register's Office reveals no intervening competing recordation, the buyer takes over prior transferees who fail to timely record.⁹⁵

The linchpin of this whole scheme, however, is an effective recordation. Subdivision (e) expressly refers to subdivision (c) of Section 205 as establishing effective constructive notice for the purposes of recordation. Subdivision (c), in turn, provides:

Recordation of a document in the Copyright Office gives all persons constructive notice of the facts stated in the recorded document, but only if —

- (1) the document, or material attached to it, specifically identifies the work to which it pertains so that, after the document is indexed by the Register of Copyrights, it would be revealed by a reasonable search under the title or registration number of the work; and
- (2) registration has been made for the work.⁹⁶

Reverting to our hypothetical, you will be protected against Jones so long as your recordation refers either to the title "Green Eyes" or the registration number assigned to Smith when he registered, and Jones failed to record his transfer within two months of execution.

In sum, bona fide purchasers who record their transfers seem to be protected as against other transferees who have received their claim to the copyright property based on consensual transfers defined by section 101 to include: "an assignment, mortgage, exclusive license, or any other conveyance, alienation, or hypothecations of a copyright or of any of the exclusive rights comprised in a copyright, whether or not it is limited in time or place of effect, but not including a nonexclusive license."⁹⁷

But a closer examination of the statute reveals large lapses in the theoretical protection accorded the bona fide purchaser which occur when ownership changes other than by transfer. The most obvious situation occurs when the transfer of copyright is not by a

95. However, Professor Nimmer notes that "such prudence is rarely, if ever (at least for this reason) implemented in actual practice." M. NIMMER & D. NIMMER, *supra* note 16, at § 10.07[A], pp. 10-54.

96. 17 U.S.C. § 205 (1982).

97. *Id.* § 101.

written instrument but by operation of law. Suppose Jones is Smith's ex-wife, and she can point to a court order of equitable distribution of the marital property granting Jones exclusive ownership of the copyright in "Green Eyes."

This problem could be handled in two ways. First, a transfer by operation of law could be treated as simply one species of a "conflicting transfer" within section 205(e); accordingly, subject to the qualifications previously discussed, the first transferee who makes an effective recordation will prevail. The only distinctive question in this area is when the transfer by operation of law will be deemed to have occurred. In our example, it might be said to be the date of the court decree of distribution. The problem with this analysis is the language of section 205(e): it speaks of transfers being "executed." This certainly is an odd word to use for transfers by operation of law. Indeed, section 204 exempts from its general requirements of a written instrument transfers "by operation of law."

The second approach is to follow the literal language of the statute. The result of this literal approach is to leave an alarming gap in protection for bona fide purchasers for value. If section 205(e) is not read to include transfers by operation of law, the Copyright Act lacks any provision which governs the relative priorities between a transferee who takes by an assignment and one who takes by court order. To the extent that such transfers are not covered, the rights of a bona fide purchaser are reduced and the market for copyright property inhibited: The possible existence of owners of the copyright property whose rights are not cut off by the recordation system diminishes the value that will be paid for copyright property.

Even these questions, however, are relatively minor when compared to another lapse in statutory protection of the bona fide purchaser. While the statute makes elaborate provisions for bona fide purchasers with respect to recordation, it completely fails to address bona fide purchasers with respect to registration. Presumably, one purpose of both the registration and recordation provisions is to create one scheme of protection for bona fide purchasers. As with real estate recording systems, the scheme should insure that purchasers obtain good title to the property they purchase. But the Copyright Act, as presently constructed, fails to provide protection for bona fide purchasers when the original registration poses the problem.

To illustrate this problem, here is a variation of the preceding hypothetical. Suppose Jones claims "Green Eyes" not by transfer

from Smith but rather alleges that he is the true author of the work.⁹⁸ He tells you that he hired Smith to create the work, that "Green Eyes" is therefore a work for hire, and that he is, in the eyes of the law, the "author." Smith's registration, he claims, was just one step in the misappropriation of Jones's property. Jones tells you that, as author, he prohibits you from performing the work in your projected show. Let us assume that everything Jones says is true.

At first glance, the tables are now turned. Recordation is effective only if there is a predicate registration by express command of section 205(c)(2).⁹⁹ But the statute has no express provisions about the effect on bona fide purchasers of defective or wrongful registrations. Put simply, the statute does not indicate what happens when the true owner fails to register the work and a bona fide purchaser takes copyright property from one who registered the copyright but was not the owner at the time of registration. In our example, while Jones's failure to record would have been fatal had he taken the copyright property by transfer, his failure to register poses no problem when he is the author.

The significance of this is, of course, enormous: the foundation point for the entire recording system is the registration, and it is at this critical point where bona fide purchasers have no protection. The fundamental question is whether such an anomaly is an unintentional loophole in the statute or whether Congress truly intended to treat the two analogous situations so differently, undermining much of the efficacy and usefulness of the recording system.¹⁰⁰

98. If he claims as joint author, he is entitled to exploit the copyright separately and without the consent of the other joint author(s). His only obligation is to account to the others for profits. *See generally* *Lieberman v. Estate of Chayefsky*, 535 F. Supp. 90 (S.D.N.Y. 1982); *Jerry Vogel Music Co., Inc. v. Miller Music, Inc.*, 75 U.S.P.Q. (BNA) 205 (1947), *aff'd*, 82 U.S.P.Q. (BNA) 458 (1949); *Oddo v. Ries*, 743 F.2d 630 (9th Cir. 1984).

99. Further, no recordation is effective unless a "reasonable search" will find the recordation "under the title or registration number." 17 U.S.C. § 205(c)(1) (1982). The use of the disjunctive is strange: it would seem more sensible to limit effective recordations to those that would appear to a "reasonable search" under the title *and* the registration number. Since there must be a registration for the notice to be effective in any event, this certainly would impose few problems, and it would narrow questions arising from minor variations in title.

See also *Northern Songs, Ltd. v. Distinguished Productions, Inc.*, 581 F. Supp. 638 (S.D.N.Y. 1984) and *Swarovski America Ltd. v. Silver Deer, Ltd.*, 537 F. Supp. 1201 (D. Colo. 1982) in which the courts concluded that these requirements were essential only to establish constructive notice and not essential as jurisdictional prerequisites under § 205(d). *See supra* note 92 and accompanying text.

100. Professor Nimmer also points out the ambiguity of the statutory text in this area and concludes that if recordation is made prior to registration, but registration occurs subse-

Let us return to Jones. As the employer of a work for hire by Smith, Jones has a right to register as author and initial owner. Smith's registration, while it appears to be legitimate, is invalid: only an author or one who takes by transfer instrument or operation of law is permitted to register. While you are the bona fide purchaser from Smith, all you take are the rights Smith has in the copyright property. Since Smith has no rights in the property, he can transfer nothing to you. This is coherent conceptually, but such an approach obviously undermines a system of bona fide purchaser protection. Failing to provide bona fide purchaser protection against true owners who fail to register constructs the marketability of all copyrights: purchasers will always pay less because they are buying something whose value is uncertain.

Why would the Congress adopt a system which gives so little protection to bona fide purchaser of copyrights? There seem to be two possible answers. The first is the "slip of the pen" theory — Congress did not really appreciate that, by failing to link bona fide purchaser rights to registration, it was building the entire edifice of bona fide purchaser protection on sand. Alternatively, Congress may have had some reason to limit the system of bona fide purchaser protection, even while recognizing the harm done to the marketability of copyrights.¹⁰¹ An exploration of this problem suggests a few possibilities.

Under the common law, a "thief" could not pass good title to property. The true owner would prevail even against a bona fide purchaser. It is true that substantial exceptions to that rule have developed, but basically they have been in terms of what constitutes a "thief." A person who obtains property by fraud, for example, has the power to transfer good title to that property to a bona fide purchaser. The tortfeasor's title is "voidable" in the sense that the victim can recover the property if there is no intervening bona fide purchaser. Similarly, a bailee may pass good title to a good faith buyer, even though, vis-a-vis the true owner, the bailee has no title at all.¹⁰²

quently, constructive notice is not achieved until such registration occurs. M. NIMMER & D. NIMMER, *supra* note 16, at § 10.07[E].

101. See generally Latman, *The Recordation of Copyright Assignments and Licenses*, 1 STUDIES ON COPYRIGHT (1963).

102. The Uniform Commercial Code addresses important aspects of this problem. In the bailment situation, the Code specifically provides that: "Any entrusting of possession of goods to a merchant who deals with goods of that kind gives him power to transfer all rights of the entruster to a buyer in ordinary course of business." U.C.C. § 2-403(2) (1977).

The Code describes when a seller can transfer better title than she herself has:

A purchaser of goods acquires all title which his transferrer had or had power to

At the risk of oversimplification, the rules developed in bona fide purchaser law generally seem to be ones of comparative fault. If the true owner has given his property to another voluntarily, the owner's rights are subordinated to those of a bona fide purchaser. This is true even if the owner has been betrayed. For example, if a watch is entrusted to a jeweler to be repaired, the jeweler can pass good title to a bona fide purchaser.¹⁰³ Similarly, if an owner sells goods to a buyer in return for a bad check, the buyer can pass good title to a subsequent good faith purchaser. Even if the owner is defrauded as to the identity of the buyer or the substance of the transaction, the person who takes the property can pass good title to a bona fide purchaser.

In all these cases, there are two innocent victims of a wrongdoer: the true owner and the bona fide purchaser. The loss usually lies with the true owner because he has done something which, however innocent or reasonable, nevertheless permitted the taker to deal with a bona fide purchaser *as if* the taker were the true owner. The action of the owner causing the problem justifies giving the bona fide purchaser good title. The true owner can attempt to sue only the person whom he erroneously trusted. The only time a bona fide purchaser does not take good title is when the person from whom he buys has void title, not merely voidable title. The only time this occurs is when the property is obtained by a "thief" in the most restrictive sense of the word: when the owner has done nothing which can give the thief any claim to the property.¹⁰⁴

Applying this analysis to the copyright scheme, however, is problematic. If a manuscript were to be stolen by a thief and then

transfer A person with voidable title has power to transfer a good title to a good faith purchaser for value. When goods have been delivered under a transaction of purchase, the purchaser has such power even though

- (a) the transferror was deceived as to the identity of the purchaser, or
- (b) the delivery was in exchange for a check which was later dishonored, or
- (c) it was agreed that the transaction was to be a "cash sale," or
- (d) the delivery was procured through fraud punishable as larcenous under the criminal law.

U.C.C. § 2-403(1) (1977).

103. *Zendman v. Harry Winston, Inc.*, 111 N.E.2d 871 (1953).

104.

The general rule of law, sanctioned by common sense, is that no man can by his sale transfer to another the right of ownership in a thing wherein he himself had not the right of property No one can sell a right when he himself has none to sell. This is a proposition so self-evident that argument cannot elucidate or strengthen it.

Fawcett v. Osborn, 32 Ill. 411 (1863). *See also Tarver v. Tarver*, 242 So.2d 374 (La. Ct. App. 1970); *Slaton v. Lamb*, 71 So.2d 289 (Ala. 1954).

registered, the thief would have no title. No transfers by him to bona fide purchasers would effectively deny the true owner his rights. The true owner could register in his own name and sue any infringers, including bona fide purchasers from the thief. The registration obtained by the thief would be prima facie evidence of validity of the thief's copyright, but presumably the true owner would be able to put in proof sufficient to overcome that prima facie effect.

Suppose in our example that Jones claims that he actually authored the work in question and in fact registered his claim of copyright, but that he registered it under the title "Blue Eyes." Smith is a total stranger who apparently knew a good thing when he saw it, obtained a copy of "Blue Eyes," changed the name to "Green Eyes," and registered the work under that title in his own name. Because the Copyright Office cannot search for content (as opposed to title, registration number, and recordation of transfers), the second registration was granted to Smith.

In this situation, Jones's rights should be superior to the rights of a bona fide purchaser from Smith. Smith is simply a thief. It would make sense to say that the buyer took only what Smith had, and that Smith had no title at all. Although the registration in his name gave him an apparent copyright in the work, in reality he had no copyright because he was neither the author nor a transferee from the author. Further, the true owner of the copyright is not at fault: he did as much as he could to prevent such a fraud by registering the copyright. Since the true owner and the bona fide purchaser are *in pari delicto* (neither having any fault), the true owner ought to prevail.

But suppose that the registration is not by a "thief" in the strictest sense of the word, but rather by one who has breached the trust placed in him by the true owner. Reverting to our hypothetical, suppose "Green Eyes" was a work for hire composed by Smith for Jones. Under the Copyright Act of 1976, Jones is the "author" of the work, and therefore the one entitled to register it. Smith's registration is invalid. Should not Smith, by analogy both to personal property law and to the scheme created by the Copyright Act itself for bona fide purchasers of transfers of interests, be able to pass good title to the copyright property to a good faith buyer? As between Jones and a bona fide purchaser, it is Jones's "fault" that Smith was able to appear to sell the copyright.

In such cases, it seems that there is no policy reason not to permit Smith to be able to transfer title to the good faith buyer, leaving Jones to a suit against his employee Smith for breach of

trust. This would seem to accord with the recordation provisions which clearly protect bona fide purchasers because the true owner (the prior transferee) failed to record his interest and therefore allowed the record owner to defraud the subsequent purchaser.

The lapse in statutory protection for bona fide purchasers from risks emerging in registration may be the product of the view that copyright property is so evanescent that protection is not possible. Congress, having recognized what it believed to be an insoluble problem of protecting bona fide purchasers when the same property can be registered under different titles, made a mistake. Congress did not pay enough attention to a problem which can be solved: the protection of a good faith buyer when the invalid registration is in some sense the fault of the true owner.

There are two implications from this analysis. The first is a recommendation to the judiciary: while bona fide purchasers cannot be fully protected so long as the copyright registration system fails to provide adequate assurance that the registered work was not previously registered, nevertheless the courts ought to be alert to the interests of bona fide purchasers. In any situation in which there is a conflict between claimants to the copyright, the courts ought to consider whether a prior claimant's conduct in any way contributed to the plight of the bona fide purchaser. If so, this "fault" by the true owner should be a factor cutting strongly in favor of permitting the bona fide purchaser to prevail.

This recommendation is both radical and conservative. It is radical because it finds no support in the language of the Copyright Act of 1976. It can lead to results which appear to conflict with the statutory prescriptions. Such a conflict will arise any time an "author's" rights are subordinated to those of a bona fide purchaser. The statute as it exists always prefers the interest of the true owner over those of the bona fide purchaser for value. But this recommendation also can be viewed as profoundly conservative. It merely suggests the incorporation into the Copyright Act of property principles that are pervasive throughout the United States; indeed, it merely takes principles which that Act already develops in the context of recordation and applies them more broadly to the context of registration.

The second implication of this analysis is at once more profound and proffered more tentatively. At the time of the Copyright Act of 1976, it may have been technologically impossible to devise a system of registration which could ensure that someone searching for a work by content (as opposed to title or registration number) could be sure that the work had not been previously reg-

istered under another name. In 1987, although only a decade later, the computer revolution has proceeded far enough to mandate a reconsideration of that assumption. At the very least, Congress should commission a study to ascertain the technological and economic feasibility of a registration system for copyrights which would approximate that existing for real property: a system which would ensure, to a high degree of certainty, that a person buying a copyright or one of the rights comprising the copyright was truly getting what he paid for.